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Feature Article - Australian Globalisation Statistics: Past, Present and Future

INTRODUCTION

The ABS has released a Discussion Paper on Options for Australian Globalisation Statistics with the objective of raising issues for discussion and assessment. The ABS is currently seeking user views on the importance and priority of globalisation statistics to assist in determining the extent of further work that should be undertaken by the ABS. This article presents a summary of the main issues raised in the Discussion Paper. Information on how to obtain copies of the Discussion Paper or how to comment on this article are provided under 'Further information' at the end of the article.

BACKGROUND

'Globalisation' is a broadly used term to describe the fact that businesses increasingly transcend national borders in their production, sales of goods and services and international financial activities. Globalisation refers to the phenomena that businesses conduct their activities on an international rather than on a local, or even national level; that world markets are becoming increasingly integrated; and that rapid changes in communication, computer and transport technology facilitate these global changes.

Globalisation touches every aspect of economic and social life. It profoundly affects the way businesses view themselves and behave. Governments cannot ignore globalisation and successive Australian Governments have generally moved away from regulation of economic activity towards liberalisation in order to position the Australian economy to take advantage of globalisation opportunities. Financial institutions also view and organise business in globalised markets. Households are invariably affected by globalised companies which may suddenly decide to create or transfer jobs; some individuals and households, to take advantage of globalisation opportunities, actively move their employment from one country to another.

Globalisation is therefore pervasive and attitudes to it vary. For some it means 'selling off the farm', loss of national economic sovereignty, and possibly anxiety about the future. To others it means new opportunities to increase wealth and well-being. The importance attached to it by the Government can be seen in this statement by the Prime Minister:

'Globalisation is the most potent economic force in the world today. It is important, in order to ensure public support for the economic and social adjustments that have to be made and to ensure that we can take advantage of the opportunities globalisation offers, that governments explain to their electorates the overall benefits of liberalisation.' - Address to the Parliament on the Asia Pacific Economic Cooperation (APEC) Leaders Meeting, 3 December 1996.

Existing statistics can provide some insights into the globalisation phenomena. For example, ABS international trade, balance of payments, and international investment statistics provide

extensive data on transactions between Australian residents and the rest of the world. International investment statistics also provide measures on foreign ownership of Australian businesses and Australian ownership of foreign businesses abroad, as well as other information on the stock of other foreign assets and liabilities such as foreign debt. The ABS has regular collections of information relating to agriculture, mining, manufacturing and some service industries (including retail and wholesale) supplemented by the economy wide surveys. However, although some of these collections have, in recent times, included some broad questions on foreign ownership, statistics produced from these surveys are generally not classified by foreign and Australian owned businesses.

Therefore, while there is a broad range of Australian economic statistics that shed light on the globalisation phenomena, economists argue that these statistics do not go far enough. There is a growing requirement for economic statistics to provide data on global businesses and their impact on Australia. In Australia's context, these may include answering questions such as:

- What is the extent of foreign ownership, both by foreign investors in Australia and Australian investors abroad?
- What are the links between investment, trade in goods and services, and employment?
- What are the differences between the employment practices of Australian owned versus foreign owned business?
- Does foreign investment assist or hinder competition policy, lower or increase price levels of goods and services, and break down or create barriers to trade?
- Does foreign investment encourage or discourage transfer of technical know-how and expenditure on research and development?
- What is the impact of foreign ownership on particular industries and/or particular regions?

Statistics cannot answer all of these issues and often need to be used in conjunction with industry experience, case studies and business and political assessments.

EXISTING STATISTICS ON GLOBALISATION

A limited number of countries have, so far, developed statistics on globalisation. The US Bureau of Economic Analysis (BEA) collects extensive data on foreign-owned businesses in the US and US-owned businesses abroad. The BEA also provides some data on foreign owned businesses' sales of goods and services plus their imports and exports of goods and services. Statistics Canada collects data on the operations of foreign controlled businesses in Canada, while the Ministry of International Trade and Industry in Japan undertakes a statistical collection of Japanese owned businesses abroad. Each of these countries adopts a somewhat different approach, although some common elements are evident. As well, the United Nations Commission on Trade and Development compiles global data on transnational corporations.

Australia has collected some of this type of data in the past. From the 1960s to the 1980s, the ABS conducted a number of foreign participation studies which measured foreign ownership and control (see Endnote 1) of Australian economic activity. Table 1 provides a summary of the results of some of these studies. There have been a number of recent studies conducted by a variety of organisations such as the Committee for the Economic Development of Australia, the Business Council of Australia, the Industry Commission, the Australian Manufacturing Council, the Department of Foreign Affairs and Trade and Austrade into specific aspects of globalisation, and a parliamentary inquiry into Australia's services exports. This overseas and Australian experience provides an important underpinning for the possible initiatives that might be

undertaken in Australia.

INTERNATIONAL INITIATIVES

In recent years there has been a number of international statistical initiatives that have encouraged national statisticians to provide data on globalisation. These include the International Monetary Fund's Balance of Payments Manual (fifth edition) (BPM5) which acknowledges that data on the activities of direct investment enterprises (see Endnote 2) would be useful; the revised System of National Accounts, 1993 (SNA93) which suggests that national accounts could usefully be sectored, *inter alia*, to show foreign controlled companies separately; and the Organisation for Economic Cooperation and Development (OECD) Working Group on Industry Statistics which is considering the development of a manual on globalisation indicators.

TABLE 1 SUMMARY OF ABS FOREIGN PARTICIPATION STUDIES

Industry/activity	Latest reference period	Globalisation indicator used to measure ownership/control	Percentage attributable to foreign ownership
New fixed capital expenditure	1982-83	Fixed capital expenditure	(a) 39
Mining industry	1984-85	Value added	45
Manufacturing industry	1986-87	Value added	32
Transport industry	1983-84	Value added	5
Agricultural activity	1983-84	Gross value of agricultural commodities produced	2
Agricultural land	31 March 1984	Hectares	6
Banking industry	June 1986	Assets	21
Life insurance industry	1983-84	Premiums received	40
General insurance industry	1983-84	Premiums receivable	34
Registered financial corporations	1984	Assets	36
Research and experimental development	1984-85	Expenditure	(a)46
Private sector construction industry	1984-85	Value added	9
Miniral exploration other than for petroleum	1984-85	Exploration expenditure	(a)51
Petroleum exploration	1984-85	Exploration expenditure	(a)44
Imports	1984-85	Value of imports	(a)54
Exports	1985-86	Value of exports	(a)44

(a) Refers to foreign control rather than ownership

A CONCEPTUAL FRAMEWORK FOR GLOBALISATION STATISTICS

The ABS is currently canvassing user views on the need and priority for 'globalisation statistics'. To enable a specific focus, two broad globalisation initiatives are considered in the Discussion Paper. The first is to identify the foreign ownership characteristics of Australian businesses by linking the data collected in existing ABS business collections with their foreign ownership (determined through a survey of shareholdings). The second initiative is to institute a survey of Australian owned businesses abroad and collect data on their business accounts, economic activity, financial activity and foreign affiliates trade. These initiatives may not meet all requirements for globalisation statistics, but would fill in some important gaps.

However, a major obstacle is that there is no consensus among official statisticians about the nature and measurement of globalisation statistics. As mentioned earlier, few countries have comprehensive data collections in place and each of them has developed somewhat different

measurement and collection practices. International statistical standards and recommendations can best be described at this stage as embryonic.

Therefore, in putting forward these proposals, a number of measurement and practical issues need to be addressed. These include:

- Classification - how to define and classify foreign owned and Australian owned businesses in Australia and Australian owned businesses abroad;
- Statistical units - how to identify the appropriate statistical unit for the measurement of globalisation indicators;
- Globalisation indicators - what globalisation indicators should be collected; and
- Country of classification - whether the country of ultimate or immediate ownership should be measured.

TABLE 2 PROPOSED CLASSIFICATION OF GLOBALISATION STATISTICS
Classification of Ownership of Businesses in Australia

CLASSIFICATION OF OWNERSHIP OF BUSINESSES IN AUSTRALIA		
Foreign control	Wholly foreign owned	other majority foreign control
		other foreign control
Joint control	Joint foreign and Australian control	
Australian control	Other direct investment	Other businesses with 10% or more foreign ownership
		Other businesses with little or no foreign ownership

CLASSIFICATION OF AUSTRALIAN OWNERSHIP OF BUSINESSES ABROAD

Majority Australian control	Wholly Australian owned
	Other majority Australian control
Other direct investment	Other direct investment

Classification

Past ABS foreign participation studies measured the foreign control characteristics of businesses in Australia. This classification included four categories: foreign controlled, naturalised or naturalising, joint foreign and Australian controlled, and Australian controlled. The naturalised and naturalising category was based upon government legislation at the time, but is no longer considered relevant. Table 2 (top part) shows an example of the type of classification that may be relevant now.

This classification would allow comparability with previous foreign participation studies, as well as complying with international standards in that it would follow the SNA 93 definition of majority control and the BPM5 definition of direct investment.

In respect of Australian owned businesses abroad, the Discussion Paper proposes the classification of Australian ownership of businesses abroad shown in the bottom part of Table 2 which, again, is comparable with both the SNA93 and BPM5 classifications.

Statistical units

Users of statistics need to be aware that a business may provide data at different levels of the business hierarchy for different ABS collections. Typically data are provided at levels which are defined by the statistical units model. That is, for most economic censuses and surveys which seek industry or production data, the statistical unit will be either the management unit (for large diversified businesses this may equate to a line of business or management) or the lower level establishment unit for more detailed production statistics. For financial and international investment statistics, data are provided at the more aggregated enterprise unit (i.e. one or more legal entities, within a group of related legal entities, undertaking similar economic activities). In other economic collections, data may be provided from administrative sources (e.g. international trade statistics). Consequently when attempting to link globalisation data, based on different collections, some complications are introduced due to the differing units that are used to collect the data. For measuring Australian owned businesses abroad, data would be collected at the enterprise unit (one or more legal entities in the same country, within a group of related legal entities, undertaking similar economic activities).

Globalisation indicators

Globalisation indicators measure various attributes of foreign owned businesses and need to be compared with indicators for Australian owned businesses, in Australia, and Australian owned businesses abroad. The attributes chosen could be business accounting data; economic measures such as turnover, value added, employment, international trade, and sources and uses of finance. The globalisation indicators chosen in the case of foreign and Australian owned businesses in Australia would depend upon the data already collected in ABS economic surveys. Therefore a wide variety of data are potentially available and the Discussion Paper asks for user views on the most appropriate data items to be published on foreign ownership. In respect of Australian owned businesses abroad, a number of globalisation indicators in the areas of industry structure, income and expenditure, balance sheet, business averages and ratios, and foreign affiliates trade may be justified; again user views on what indicators should be included would be welcome.

Country of classification

A further issue that needs to be resolved is how to classify the country of the foreign owner. In previous foreign participation studies, country of control or ownership was assigned to the country of the immediate foreign investor. The Discussion Paper proposes to use this concept again.

Nevertheless, user views are invited on whether data on ultimate beneficial owner should also be collected in respect of the largest direct investor. The country of ultimate beneficial owner would be determined by the country of location of the top company in a group of companies under common control (i.e. those companies in a global parent subsidiary relationship). Experience from the BEA is that there can be significant differences in statistics based upon the two concepts, immediate foreign investor and ultimate beneficial owner. The ABS does not favour the collection of the latter because it would add significantly to the collection, processing and dissemination costs.

POSSIBLE INITIATIVES ON GLOBALISATION STATISTICS

In the proposal being canvassed in the Discussion Paper, data from the Survey of Shareholdings would be linked to the ABS business register; as a consequence it would be a relatively simple task to classify businesses in business register based surveys as either foreign, joint, or Australian owned. For surveys not based on the business register, an additional matching step is required to link the collection and the business register. For example, measuring foreign ownership characteristics of businesses in international trade statistics or financial surveys requires additional matching and consequently adds a further cost dimension. Measuring the activities of Australian owned business abroad would require the establishment of an additional collection.

There may also be interest in the links between cross-border trade and foreign affiliates sales. The proposals in the paper do not go as far as permitting such linking to be performed for foreign owned businesses in Australia, but would provide for the necessary data (subject to testing) to be collected for Australian owned businesses abroad.

Although the ABS has prepared preliminary cost estimates of implementing these proposed initiatives, they have not been included in its forward work program as yet, and any implementation of the initiatives would depend upon user assessment of the importance of globalisation statistics and the availability of funding for further developments. The earliest possible date for comprehensive data on foreign ownership of Australian business and Australian owned business abroad would be in respect of 1999-2000 to be published by June 2001, but this is subject to funding availability, and the timing of decisions to proceed.

FURTHER INFORMATION

The Discussion Paper included a separate questionnaire so that readers could respond to and make comments on the issues raised. The ABS would also like to hear from persons and organisations who may wish to exchange views on the issues outlined in the paper. Copies of the Discussion Paper can be obtained from Fiona Kropman at the address shown below. Comments are welcome and should be sent to the same address.

Fiona Kropman
International and Financial Accounts Research
Australian Bureau of Statistics
PO Box 10
Belconnen ACT 2616
Telephone: (02) 6252 5733/ Fax: (02) 6252 7219
Email: fiona.kropman@abs.gov.au
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ENDNOTES

1. Foreign ownership statistics identify the percentage of foreign ownership, held directly or indirectly, in any Australian business and assign economic indicators (such as turnover, value added, and employment) according to those percentages i.e., ownership is apportioned. In foreign control statistics, businesses are assigned to a single control category and the economic indicators are allocated fully to that category. The difference between the two measures is that ownership is measured in terms of the proportion of shares held, whereas control is regarded as either existing or not existing.
2. A direct investment enterprise is an incorporated or unincorporated enterprise in which a direct

investor owns 10 per cent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). Direct investment enterprises comprise branches (unincorporated enterprises), subsidiaries (incorporated enterprises that are more than 50 per cent owned by the direct investor), and associates (incorporated enterprises that are between 10 and 50 per cent owned by direct investor). The direct investment relationship extends to the direct investment enterprise's subsidiaries, sub-subsidiaries, and associates (unless the direct investment enterprise itself is an associate).

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